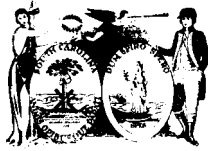


CHERAW HEALTHCARE CENTER, INC.

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-CHW-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

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STATE AUDITOR

(803) 253-4160
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 6, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

Re: AC# 3-CHW-J9 – Cheraw Healthcare, Inc.

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to determine the reimbursement rate to be used by the Department in determining the reimbursement settlement with Cheraw Healthcare, Inc., for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Cheraw Healthcare, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. We found no exceptions as a result of these procedures.
2. We considered the results of our procedures and determined that there was no material effect on the provider's interim Medicaid reimbursement rate as listed below:

CONTRACT PERIOD

Beginning October 1, 2000

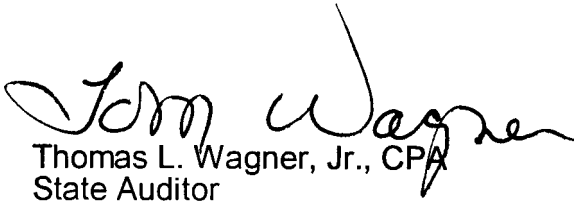
INTERIM MEDICAID RATE

\$93.63

Department of Health and Human Services
State of South Carolina
April 6, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes
Mr. Joel Dyson